



Franchises: Ready-made businesses have appeal in down economy

2010-03-05 13:10:28



MIAMI - After being unemployed for a year, Pauline Hamian ditched the résumé and bought herself a job.

The former Burger King employee had no luck finding a job after being part of a corporate restructuring in 2008.

While at an outplacement center, she stumbled on a webinar about franchising.

"I felt I had to do something," Hamian said. "It provided an opportunity for me to do something I've never done before and never really envisioned myself doing."

With the help of a franchise broker, she decided to invest in ShelfGenie, a company that installs sliding shelves for kitchen and bathroom cabinets. She didn't need to buy a storefront — it all can be done from home. There were no fixed costs and her two part-time employees work on commission.

Jobs are still scarce, so the unemployed are reinventing themselves and becoming the majority of new franchise owners, industry sources say.

While banks continue their tight grip on lending, some franchisors are seeing a dip in investors and are responding by lowering fees and offering internal financing deals. And the troubles in commercial real estate are making it easier for franchisees by driving some landlords to negotiate — sometimes offering several months' free rent or paying for remodeling.

"When the economy slows, people think opportunities become harder to find," said Jason Mattes, a franchise-development adviser in Coral Gables, Fla. "If you have an entrepreneurial spirit, now could be the best time."

He's currently director of franchise development at Cruise Planners, where the fee is about \$10,000 to start the home-based travel agency. Cruise Planners added 200 new franchises in 2009.

"I think people just aren't aware of all the opportunities out there," Mattes said. "They think of a Subway shop or a hamburger joint, so they feel it's not a path to look at because it's just too expensive."

The lack of funds is what sent Hamian to the services sector. After being denied a business loan, she financed her future career with a home equity loan. The fee to cover one territory — that's 250,000 households — was \$40,000. But when you add up the costs of home show fees and product materials, she invested about \$65,000.

"It was the biggest check I've ever written in my life," Hamian said.

MatchPoint franchise consultant Jim Sebastiano is advising people without a nest egg to head for home-based businesses because of the credit crunch. He has seen investors use their 401(k)s or IRAs to help finance stores.

"I get a lot of calls from people that either lost their job already, or they're scared to death," Sebastiano said.

When you're in a service industry, "you're out there promoting the business more and the costs are substantially less," Sebastiano said.

There are more than 3,500 different franchises available, but Sebastiano found most people he speaks to can only name 15 from memory.

"Don't pooh-pooh any business until you do a little bit of research," Sebastiano advises. "At least know what you said 'no' to."

West Palm Beach resident Lisa Simpson, 47, reached out to a consultant after it became "mind-boggling" trying to sort through every option.

Simpson worked in banking for 26 years, and when her bank was recently acquired, she took a severance package to jump-start her dream of running a business. She filled out a franchise personality profile questionnaire to narrow her search. Her result: the painting business.

"I said, 'Painting? Really?' But the more I started looking into it, they had 300 franchises doing this, and they had a lot of training and support," Simpson said.

After paying \$50,000 for the franchisee fee, and an additional \$20,000 toward direct mail, software and putting a logo on her truck, she now runs CertaPro Painters with her husband. It all came from her personal savings and that severance package — and she's hoping she doesn't have to dip into her home equity.

Hot growth areas getting attention: anything dealing with senior care, being green, and health.

KEEPING A SAFETY NET

These two local franchisees have been able to keep a safety net — their day jobs — as they launch their new businesses.

LILLIANS

The company: Lillians, founded by two sisters in Minnesota, began franchising in 2008. The Colorado Springs store, at 7477 N. Academy Blvd., is the 32nd Lillians. The store sells women's clothing, accessories and handbags and is open only four days a month, the first Thursday through Sunday.

Local owners: Kelli Holt and her husband, Eric.

Getting into the business: "It's funny, we hadn't been looking for a franchise," Kelli Holt said. "We weren't even looking to open a business." But after a family friend opened a Lillians in South Dakota, Kelli Holt started researching Lillians, "and before you know it, my husband and I were flying to Minnesota to meet with the owners."

The "occasional sale" concept means Kelli Holt can keep her job as an insurance agent. "It would be great if we could survive on the franchise and have that be our sole means of income," she said, but she's not counting on that any time soon.

Being open just a few days a month might sound odd, she said, but the aim is to build demand and a sense of urgency, since the inventory changes substantially from month to month. Customers can't just pop in whenever they want to see what's new. "The whole idea is really just to drive your customers through your doors in four days."

Advantage of a franchise: "Just the marketing and the resources that are available to you" from the

franchisor, Kelli Holt said. "Why reinvent the wheel, so to speak."

The cost: The Lillians Web site cites an initial investment for franchisees of roughly \$45,000 to \$70,000, including a \$25,000 franchise fee.

More information: www.lilliansshoppe.com

G'DAY! PET CARE

The company: G'day! Pet Care provides "a full suite" of pet services, including pet-sitting, home care, pet food with free delivery, pet transportation, dog-walking and pet waste cleanup. The company was founded and is operated by the same management team that launched dog-training company Bark Busters USA.

Local owner: Kristy Pring.

Getting into the business: Pring is director of marketing and communications for Bark Busters USA, so she knows and trusts the team behind G'Day Pet Care; she plans to keep her corporate job, at least for now, while operating the local G'day! Pet Care franchise with the help of family members.

"I always wanted to be an entrepreneur, to own my own business," she said.

Advantage of a franchise: "I would say franchises help people avoid many of the pitfalls involved in starting up and running your own business. They really give you a road map for success."

But do your homework, Pring cautioned. Carefully research a franchise before signing on. And be prepared to work.

"Even though you could be gaga about pets, you have to be business savvy to be successful," she said.

The cost: The minimum initial investment for a franchise owner is about \$25,000, including a \$12,500 franchise fee, the G'day! Pet Care Web site states. "We are considered a low-cost business because its home-based," Pring said.

More information: www.gdaypetcare.com

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